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COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

August 27, 2013

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Re: 2013 Estimated Pension Payment and 2014 Pension Estimate

Dear Honorable Members:

This morning my office received a copy of a letter dated August 26, 2013 signed by Deputy Comptroller Gregory Gach regarding the County's estimated 2013 pension payment. In that letter, and in comments made in today's *Buffalo News*, the Comptroller's Office has suggested that in the December 2013 pension payment, the County will pay \$3.9 million less than previously estimated based on the prior statement by the New York State and Local Retirement System ("System"). That is not accurate.

As in prior communications, the Comptroller's Office has insinuated several things and made several factual misstatements or mischaracterizations which must be corrected for the public record.

The annual pension payment bill as provided by the System is a mandated cost. The bill must be paid as stated, even if the payroll data supporting the bill is overstated. The following year, if such discrepancies exist (which is common) a favorable or unfavorable salary reconciliation adjustment is included in that year's pension bill by the System.

My office communicated to Mr. Gach two weeks ago that the latest projections from the System indicated that the prior pension estimate, based on anticipated salary growth for the state fiscal year ending March 31, 2012 was too high and the forthcoming December 2013 actual payment would be significantly less than previously estimated by the System. As Mr. Gach well knows, having served as budget director for the Collins Administration, the County is completely dependent on the System's projection for certain components of our pension payment. We are annually compelled to include a budgeted appropriation for the pension payment based on the State projection more than

one year in advance. For instance, the 2013 Erie County Budget included an estimated pension cost established in August 2012 based on the State's projections. That estimate was made by the System and included in the County budget more than fourteen (14) months before the payment was due. Once my office became aware of the difference for the forthcoming December 2013 payment, I notified Mr. Gach and the Comptroller's Office.

Contrary to Mr. Gach's letter, the County will actually receive a 2013 prior year salary reconciliation adjustment credit of \$2.0 million – not \$2.33 million and the General Fund share will be \$1.6 million. Another likely favorable factor will be based upon the reduction in our reconciled salary base for the state fiscal year ending March 31, 2013. Due to this reduction in the County's salary base, the salary estimates used for the bill paid in December 2013 form the basis for a reduced 2013 pension cost to the County of \$2.5 million (General Fund share of \$2.0 million) – not \$3.9 million. This is a case of a reduction in projected costs and is not a true credit, as characterized by the Comptroller. This is a positive development but the numbers are different than that portrayed by Mr. Gach.

In addition, Mr. Gach's letter states that the County's share of the retirement bill (after backing out Erie Community College [ECC]) is \$43,377,502 when the payment is actually expected to be \$43,715,464 after providing ECC their share of the prior year salary reconciliation credit of \$337,962. As I am sure you will agree the numbers matter and making public comments to your Honorable Body and to the media that are not accurate or validated is improper and a disservice.

Finally, based on new data from the System issued today, the County's pension payment due in December 2014 will be lower than previously expected, with the County's employer contribution rate reduced from 20.8% to 19.8%. This would be the first reduction in five years and it has nothing to do with the County's payroll. This is part of a statewide trend for 2014 positively affecting all local governments and which will be accounted for the 2014 Erie County Budget. I estimate the December 2014 pension payment could be \$1.1 million less than the revised 2013 payment.

I trust that this information is helpful to your Honorable Body, and as always, if you have any questions, please do not hesitate to contact me.

Sincerely yours,



Robert W. Keating
Director of Budget and Management

cc: Erie County Executive Mark C. Poloncarz
Comptroller Stefan Mychajliw
Erie County Fiscal Stability Authority